

Message Text

UNCLASSIFIED

PAGE 01 STATE 057130

70

ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 AGR-10 CIAE-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

OMB-01 L-03 NSC-05 SS-15 /072 R

DRAFTED BY COM/BIC/CAGNE/MFSMITH

APPROVED BY EB/OCA/CM/LAKLIEFORTH

COM/BIC/CAGNE/PHALE

COM/OFFICE OF TEXTILES/CASHMAN

STATE/NEA/IRM/BMORTON

----- 061579

P 092030Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN PRIORITY

UNCLAS STATE 057130

E.O. 11652: NA

TAGS: IR, BDIS

SUBJECT: DISPUTE INVOLVING U.S. SUPPLIER OF SYNTHETIC
FIBER PURCHASED BY GOI UNDER 1974 IRAN-U.K. BILATERAL

1. CELANESE CORP. HAS APPEALED TO COMMERCE AND STATE FOR
USG INTERVENTION IN DISPUTE BETWEEN ICI FIBERS OF LONDON
AND FOREIGN TRANSACTIONS CO. (FTC), AGENCY OF GOI, RELATED
TO 1974 CONTRACT FOR SALE TO IRAN OF 13,700 METRIC TONS
OF SYNTHETIC FIBERS. CONTINUED LACK OF RESOLUTION OF
MATTER CAUSING SEVERE FINANCIAL HARDSHIP TO FIBER
INDUSTRIES, INC. (FII) OF CHARLOTTE, N. C., WHICH IS
JOINTLY OWNED BY CELANESE AND ICI AND WHICH ACTUALLY
PRODUCED COMMODITIES IN QUESTION. FACTS OF CASE, AS
RELATED BY RICHARD D. SMITH, PRESIDENT, CELANESE FIBERS
MFG. CO. (NEW YORK, N. Y.), ARE AS FOLLOWS.

2. EARLY IN 1974, BILATERAL AGREEMENT CONCLUDED BETWEEN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 057130

IRANIAN AND BRITISH GOVERNMENTS WHEREBY IRAN UNDERTOOK

TO SELL U.K. 70 MILLION BARRELS OF CRUDE OIL AND U.K. AGREED TO SUPPLY IRAN WITH BROAD RANGE OF INDUSTRIAL RAW MATERIALS AND MANUFACTURED GOODS. ICI, WHICH WAS

SELECTED TO SUPPLY MAJOR PORTION OF SYNTHETIC FIBERS REQUIREMENT OF IRAN UNDER BILATERAL AGREEMENT, SUBSEQUENTLY ENTERED IN FIXED-PRICE CONTRACT WITH FTC TO SELL TO FTC 7,700 METRIC TONS OF POLYESTER STAPLE AND 6,000 METRIC TONS POLYESTER FILAMENT. BECAUSE OF IRANIAN PRESSURE TO EFFECT EARLY DELIVERIES, ICI ARRANGED TO PURCHASE THE MATERIAL FROM ITS U.S. AFFILIATE, FII. LATTER COMPANY JOINTLY OWNED BY CELANESE (62.5 PERCENT) AND ICI (37.5 PERCENT). CONTRACT BETWEEN ICI AND FII DATED MAY 24, 1974.

3. FII MADE ITS FIRST SHIPMENT TO ICI IN LATTER PART OF 1974, AND ICI EFFECTED DELIVERY TO FTC AGAINST LETTER OF CREDIT ISSUED ON BEHALF OF FTC. SOON BECAME APPARENT, HOWEVER, THAT FISCAL OR OTHER PROBLEMS WITHIN GOI WOULD DELAY ISSUANCE OF FURTHER LETTERS OF CREDIT COVERING REMAINDER OF CONTRACT. AMOUNTS INVOLVED WERE 4,400 METRIC TONS OF POLYESTER STAPLE AND 2,900 METRIC TONS OF POLYESTER FILAMENT AT COST TO GOI OF APPROXIMATELY 22 MILLION DOLLARS. FTC ASSURED ICI AT ONE POINT THAT CONTRACT COULD BE COMPLETED SHORTLY AFTER NEW YEAR (MARCH 1975), BUT MATTER REMAINS STUCK WHERE IT WAS OVER 12 MONTHS AGO DESPITE REPEATED FOLLOW-UP BY ICI AND BRITISH EMBASSY IN TEHRAN.

4. FEBRUARY 19, 1976, BRITISH AMBASSADOR, SIR CYRIL PITTS, ADDRESSED LETTER ON SUBJECT TO COMMERCE MINISTER TASLIMI STATING IN PART AS FOLLOWS: "WE HAVE HAD NUMBER OF MEETINGS WITH GOVERNMENT OFFICIALS AND HAVE RECEIVED REPEATED ASSURANCES THAT YOUR GOVERNMENT WAS DETERMINED TO COMPLETE THE CONTRACT AND THAT FURTHER LETTERS OF CREDIT WERE IMMINENT...OUR OWN POSITION IS BECOMING INCREASINGLY EMBARRASSING SINCE AT THE TIME THE CONTRACT WAS SIGNED WITH THE FTC, SYNTHETIC FIBERS WERE IN SHORT SUPPLY AND WE SIGNED A BACK-TO-BACK CONTRACT WITH AN AMERICAN ASSOCIATE IN ORDER TO MEET YOUR GOVERNMENT'S UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 057130

REQUIREMENTS. THIS ASSOCIATE IS NOW PRESSING US VERY STRONGLY TO COMPLETE OUR PART OF THE CONTRACT."

5. WITH ABOUT 75 PERCENT OF REMAINDER OF ORDER IN INVENTORY, FII IS IN POSITION TO BEGIN SHIPMENTS AS SOON AS ICI GIVES GREEN LIGHT AND TO COMPLETE DELIVERY WITHIN TWO MONTHS THEREAFTER. IF MATTER REMAINS ON DEAD CENTER, HOWEVER, WITH CONTINUED FAILURE OF FTC TO ISSUE LETTERS

OF CREDIT UNDER ITS CONTRACT WITH ICI, FII WOULD BE STUCK WITH INVENTORY. FII PRODUCED FIBERS DESTINED FOR IRAN FROM TERAPHTHALIC ACID PROVIDED BY ICI IN 1974, AT TIME WHEN PRICE OF ACID, AND OF FIBERS MADE THEREFROM, WERE CONSIDERABLY HIGHER THAN THEY ARE NOW. FOR THIS REASON, LIQUIDATION OF FII INVENTORY AT CURRENT WORLD PRICES COULD BE EFFECTED ONLY AT HEAVY LOSS.

6. EMBASSY REQUESTED TO INITIATE DISCUSSIONS WITH BRITISH EMBASSY LOOKING TOWARD BEST MEANS FOR BRINGING ICI-FTC DISPUTE TO EARLY SATISFACTORY CONCLUSION AND THEREBY AVOID POTENTIAL HEAVY LOSSES FOR FII AND CELANESE. UNDERSTOOD THAT SENIOR CORPORATE OFFICER OF ICI VISITING TEHRAN SHORTLY IN EFFORT TO EXPEDITE RESOLUTION OF MATTER. RICHARD SMITH PREPARED TO COME TO TEHRAN SAME TIME IF EMBASSY CONSIDERS SUCH MOVE ADVANTAGEOUS. PLEASE ADVISE. KISSINGER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE057130
Document Source: CORE
Document Unique ID: 00
Drafter: BIC/CAGNE/MFSMITH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760089-0543
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760379/aaaacrqq.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 31 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 AUG 2004 by meiwc>; APPROVED <08 DEC 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISPUTE INVOLVING U.S. SUPPLIER OF SYNTHETIC FIBER PURCHASED BY GOI UNDER 1974 IRAN-U.K. BILATERAL
TAGS: BDIS, IR
To: TEHRAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006